

City of Calistoga

Staff Report

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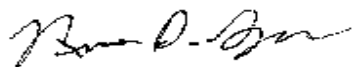
TO: Honorable Mayor and City Council

FROM: Richard Spitler, City Manager
Gloria Leon, Administrative Services Director

DATE: June 11, 2013

SUBJECT: Public Hearing on the Draft City of Calistoga Fiscal Year 2013/14 Budget

APPROVAL FOR FORWARDING:



Richard Spitler, City Manager

ISSUE: To receive public testimony on the draft City of Calistoga Fiscal Year 2013/14 budget.

RECOMMENDATION: To receive public testimony and to provide direction regarding the FY 2013/14 draft budget proposal.

BACKGROUND: In June 2012 the Fiscal Year 2012/13 Budget was presented to and adopted by the City Council. In February 2013 a Mid-Year Financial Update was presented to the Council. At that time several budget adjustments were brought forward and adopted. The analysis from those financials has served as a starting point for development of the FY 2013-14 Budget.

The City Council held one budget workshop on May 23, 2013 to review all of the proposed departmental, capital, enterprise and special fund budgets. At this workshop the Council received presentations on each of the department budgets and then public comment. The City Council then gave informal direction to staff.

The attached draft budget reflects City Council direction to date. The draft budget as presented has been balanced with one-time impact fees received in March 2012 and with anticipated development in the new fiscal year.

The purpose of the subject public hearing is to receive formal public testimony on the proposed draft budget. After the hearing is closed, the Council will provide final direction to staff on the preparation of the budget. The formal adoption of the budget is set for June 18, 2013 at a regular City Council Meeting.

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DISCUSSION:

As we move forward into the new fiscal year it is important to remember that the City's budgets will, once again, be very tight. The proposed Fiscal Year 2013-14 budget contains cuts in expenditures (operational and capital projects) over what was initially requested by most of the departments, as necessary to reach a balanced budget. However, several Capital Improvement Projects (CIP's) are recommended for funding. The reason is that most of the projects fall into the deferred maintenance category. The City simply did not have adequate funding in prior years to address them. With the potential for payment of one-time development impact fees, it is anticipated that there will be adequate funds to allow these projects to proceed.

Staff will be recommending several adjustments to the Fiscal Year 2012-13 budget since the City received \$2,000,000 from the Silver Rose project for impact fees in March 2013. Upon City Council acceptance of the impact fees staff will bring forth a resolution for approval. Staff is recommending the \$2,000,000 in impact fees be allocated as follows:

Quality of Life Fund	\$152,628
Public Safety Fund	\$152,627
Wastewater Capital Fund	\$1,694,745

Staff is recommending the Quality of Life and Public Safety impact fees for a total of \$305,255 be used to pay general fund annual debt. This allows the same amount of funds to be available for other General Fund uses. The \$1,694,745 allocated to the Wastewater Capital Fund will allow us to pay annual debt in this fund, thereby relieving the General Fund from having to pay the debt. Also, there is need to have funds to initiate much-needed infrastructure improvements at the wastewater treatment plant.

This proposed budget continues to maintain the existing level of service and reliability to the community through our infrastructure systems and facilities. However, as previously indicated, there are many facilities that are not receiving maintenance and replacement as they should. There are no anticipated layoffs of staff. The City currently is in negotiations with Safety, Miscellaneous and the Unrepresented group. City staff will be coming back at a later date with possible agreements to be adopted by the Council. The budget includes an anticipated modest salary increase for the groups and will be further refined once negotiations are completed.

The City is anticipating several projects to initiate construction or advance pay development impact fees (i.e., Enchanted Resorts). These projects include Indian

80 Springs, Arden Winery, Calistoga Family Apartments and Enchanted Resorts. It is
81 anticipated these projects will bring forth the following in impact fees:

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83		
84	Water Capital Fund	\$1,547,487
85	Wastewater Capital Fund	\$ 369,202
86	Public Safety Fund	\$ 473,336
87	Housing Trust Fund	\$ 334,002
88	Traffic Fund	\$ 4,051
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90 See the attached Tables in Attachment 1 that show detailed development impact fees from
91 various projects that are anticipated in FY 13-14 and FY 14-15.

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93 **General Fund**

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95 The City Council adopted goals and objectives for Fiscal Year 2013-14 calls for a 25%
96 reserve in its General Fund by year's end. Based on staff recommendations the City will
97 end Fiscal Year 2013-14 with a fund balance of \$2,276,533 which is in excess of the 25%
98 objective. Staff is also recommending \$50,000 be committed to PERS for rate increases
99 and \$50,000 be committed to future Retiree Benefits. Staff is also recommending
100 \$105,000 be set aside for unanticipated general liability claims. If Council commits the
101 funding for PERS rates, future retiree benefits and General liability Claims the general fund
102 balance will be reduced to \$2,071,553 which is 28.3% of total operating expenditures.

103

104 Staff will bring forth a recommendation to the Council to adjust the anticipated transfer out
105 of the general fund to the wastewater enterprise fund for FY 2012-13. This is because the
106 general fund transfer has proved to be unnecessary since the wastewater capital fund
107 received impact fees from the Silver Rose developer.

108

109 The Police Operations contract services include \$4,000 for animal control services. This is
110 a tentative figure, as negotiations are underway for contracting this service to a local non-
111 profit organization.

112

113 It should be noted that while the General Fund reserve is increasing, it is largely due to
114 one-time development fee payments. This has made funds available for community
115 projects should the Council desire it. However, the one-time development fees together,
116 with the highly uncertain demands for capital improvement projects and other
117 emergencies, means that a cautious spending approach should be taken over the next
118 fiscal year.

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123 **Water Operations**

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125 The Water Operations Enterprise Revenue Fund is anticipating an ending working capital
126 balance of approximately \$0 as of June 30, 2013. Based on activity during the fiscal year,
127 it is anticipated that the water fund balance will end with a working capital balance of
128 \$315,905 by June 30, 2014. The Water Capital Improvement Fund will transfer \$659,291
129 to the Water Operations fund to cover the debt service payments for the fiscal year.

130

131 The City of Napa has increased the charge to treat and wheel water to Calistoga for the
132 next three years. For FY 2012/13 to 2013/14 it will increase by \$87,716; from FY 2013/14
133 to 2014/15 by \$101,565 and from FY 2014/15 to FY 2015/16 by \$227,442.

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135 As the Council is aware City staff with the assistance of a consultant will complete a
136 comprehensive review of the adopted Water and Wastewater rate studies to determine
137 how to address the shortage of revenue, to include a possible rate increase by January 1,
138 2014.

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140 **Water Capital**

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142 The Water Capital Fund is expected to end fiscal year 2013-14 with a surplus balance of
143 \$374,009 which will be used to cover any unexpected capital improvements. The City
144 anticipates water connection fees from the Enchanted Resorts, Indian Springs, Brian
145 Arden and Calistoga Family Apartments in the amount of \$1,547,487. Measure A will
146 provide funds of \$302,000.

147

148 Projects in the amount of \$668,000 to be undertaken for the FY 2013-14 include the
149 Pipeline Myrtle/Grant/Kimball, NBA Pump Station, Water Sampling Stations, Water Valve
150 Replacement, Bypass Structure, GIS survey and Riverlea Pathway Water Line Relocation.
151 The Pipeline Myrtle/Grant/Kimball and the Bypass Structure will be funded through
152 Measure A funds.

153

154 The Water Capital fund will also cover debt service payments in the amount of \$807,298
155 for Fiscal Year 2013-14.

156

157 **Wastewater Operations**

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159 The Wastewater Operations Fund is expected to end fiscal year 2012-13 with a deficit
160 balance of approximately \$70,756. The Wastewater Capital Improvement fund will transfer
161 \$70,756 to cover the deficit balance. As discussed in prior water and wastewater rate

162 workshops, expenditures to run the treatment plant have continued to outpaced revenues.
163 Though rates were increased they have not been sufficient to keep up with expenditures.
164 The FY 2013-14 budget shows an ending working capital balance of \$393,227. The
165 Wastewater Capital Improvement Fund will transfer \$695,583 to the Wastewater
166 Operations fund to cover the debt service payments for the fiscal year.

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168 As the Council is aware City staff with the assistance of a consultant will complete a
169 comprehensive review of the adopted Water and Wastewater rate studies to determine
170 how to address the shortage of revenue, to include a possible rate increase by January 1,
171 2014.

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173 **Wastewater Capital**

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175 The Wastewater Capital Fund is expected to end fiscal year 2013-14 with a surplus
176 balance of \$563,996 which will be used to cover any unexpected capital improvements.
177 The City anticipates wastewater connection fees from the Enchanted Resorts, Indian
178 Springs, Arden Winery and Calistoga Family Apartments in the amount of \$369,202. In
179 fiscal year 2012-13 the City received \$1,694,745 in wastewater connection fees from the
180 Silver Rose project.

181
182 Projects in the amount of \$750,000 will be undertaken by the Public Works Department.
183 They include GIS survey, Pine Street Lift Station, Sewer Lateral Replacement, additional
184 alarms at the treatment plant, Filter area spiral stairway, effluent disposal study, new
185 effluent storage pond, Palisades Lift Station Coating and an upgrade to the High School
186 reclaimed water system.

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188 **Special Revenue Funds**

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190 These are separate funds which segregate revenues and expenditures restricted for
191 specific purposes such as a specific grant program, restrictions by City Council
192 ordinances, special property assessments or just the need for separate budgeting and
193 accounting of revenues for a specific purpose. The City will end the fiscal year 2013-14
194 with a combined fund balance of \$1,325,793 an increase of \$308,267 from fiscal year
195 2012-13. Due to the anticipated impact fees from development the Public Safety Fund will
196 receive \$473,336 and the Housing Trust \$314,002. Most of the revenue sources for these
197 two funds will remain in the funds until projects are earmarked. The Community
198 Development Fund will use \$52,000 for the sidewalk replacement project, \$49,000 for a
199 development impact fee study and \$66,200 will be used for several housing programs.
200 This will bring the fund balance to \$142,410 in fiscal year 2013-14 from \$276,490 in fiscal
201 year 2012-13.
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Equipment Replacement Fund

This fund accounts for all of the operating and maintenance costs related to the City's computer network, workstation system, maintenance and purchase of vehicles, as well as fixed and maintenance costs related to information technology that benefit all other City funds and programs.

City staff is recommending the purchase of a vehicle for the police department to replace one of the older vehicles that is no longer in service. Staff is also recommending the replacement of a server and accessories, computers and anti-virus software for a total of \$50,307. The Public Safety Fund will contribute \$37,000 for the purchase of the vehicle and \$10,000 for defibrillators. The General Fund will transfer \$200,000 to this fund for debt service payments and for the replacement of equipment. This fund will have a fund balance of \$237,487 at the end of fiscal year 2013-14 for unanticipated expenditures and reserves.

Capital Projects

Departments were asked to provide input on what they saw as needed projects to undertake in Fiscal Year 2013-14. You will find in the attachments what those requests were. Staff further refined the list and is recommending \$2,282,613 in capital projects and \$474,187 in equipment and information technology projects be approved for FY 2013-14. These projects will only be undertaken if one time impact fees are actually received.

Community Funding Requests

City staff and Councilmembers have received requests from various people and organizations for consideration. These have not been included in the draft budget pending further direction from the City Council (See Attachment 2).

The following are possible sources of funding to address some of these requests:

General Fund. It is anticipated the General Fund Reserve balance will end the FY 2013-14 fiscal year with approximately \$2,072,000. This is 28.3% of general fund expenditures. The objective of the Council is to have at least 25% in this reserve by year's end (or at least \$1,828,510). This could be a source of \$200,000 for these funding requests. However, staff is recommending that no more than \$150,000 be used for community funding requests.

244 **Community Development Fund.** This fund is expected to end the next fiscal year with
245 \$142,410. This fund pays for various housing support services, the sidewalk repair
246 program and litigation costs for a challenge to the Rancho de Calistoga rent stabilization
247 decision. It should not be fully expended as we use funds on an annual basis.
248

249 **2007 Capital Lease Fund.** This fund has approximately \$200,000 remaining for capital
250 expenditures in the community. This fund was used to build the pool, make other
251 improvements at Logvy Park, the Fire Station and Monhoff recreation building. Any capital
252 improvement project is eligible to be funded. It is advised that these funds be expended
253 this coming fiscal year as we are paying interest.
254

255 **Gas Tax Fund.** These funds are restricted to street related maintenance, safety and
256 improvements. There will be approximately \$97,926 at the end of fiscal year 2013-14 in
257 this fund which is not enough to undertake a major street repair. Usually we accumulate
258 funds until we have a sufficient amount to carry out a project or add general fund dollars to
259 fully fund a project.
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261 If the City Council decides to fund some of the community projects, then direction should
262 be given to staff as to what projects should be funded and in what amount.
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266 **ATTACHMENTS**

- 267
- 268 1. Development Impact Fees Anticipated FY 12-13 to 14-15
 - 269 2. Memo on FY 13-14 Community Budget Requests
 - 270 3. Draft FY 2013-14 Budget Proposal
 - 271 4. Major Capital Projects Budget
 - 272 5. Equipment and Information Technology Projects
 - 273 6. Debt Schedule
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